

FOCUS e-newsletter: Consulting  
**Q&A: BOD-Manager responsibilities**  
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**What are the Board Members responsibilities?**

The board of directors has responsibility for planning, directing and controlling the affairs of the credit union and providing effective and efficient management of the credit union's operations. Key considerations within each category include:

*Planning* – During the planning phase, the board should, at a minimum, answer the following questions:

1. What are the credit union's goals and objectives?
2. When will the plan begin and end?
3. Who will implement the plan?
4. Who will monitor and report the progress of the plan?
5. Is the plan realistic and affordable?

*Directing* – Directing is the grouping of activities and individuals to effectively and efficiently accomplish the strategic plan. The board of directors should mobilize, organize, and direct the staff and officials who will implement the plans. The board should keep all involved individuals informed of the strategic plan's status.

*Controlling* – The board should control the activities, so it may readily determine if the strategic plan is being followed. Effective and continual program control by the board helps to:

1. Prevent unauthorized actions.
2. Keep members informed.
3. Predict trends and forecast results.
4. Make information available for evaluating staff performance.
5. Provide data for considering new programs.
6. Assess the effectiveness of programs.

*Internal Controls* – The board of directors provides the internal controls necessary for operating the credit union's business. Internal controls are checks and balances built into policies and procedures designed to detect and prevent illegal, unauthorized, and inefficient activity. Some are required by regulation, while others are developed out of daily experience.

*Financial Management* – The board of directors provides financial management. Effective financial management balances the extension of credit union services with the achievement of safe and sound operations. Specific board responsibilities include:

1. Develop a strategic plan.
2. Establish operating policies and procedures (shares, loans, collections, investments, etc.).

3. Comprehensive policies and procedures provide direction and instruction for officers, employees, and committees.
4. Ensure implementation of the policies and procedures.
5. Maintain general direction and control of the credit union.
6. Meet at least monthly and maintain minutes.
7. Elect board officers and fix compensation of specified officer.
8. Appoint the supervisory committee.
9. Appoint the membership officer and other committees.
10. Hire, define duties and compensation of employees and set personnel policies.
11. Maintain confidential relations with members.
12. Act on membership applications.
13. Designate depository of funds.
14. Declare dividends and interest refunds.
15. Provide surety bond and other insurance needs.
16. Provide necessary service facilities.
17. Act on certain loans to officials.
18. Appoint a security officer and supervise the security program.
19. Establish a records preservation program.
20. Request approval of charter and non-standard bylaw amendments.
21. Hold an annual membership meeting.
22. Carry out his or her duties in good faith, in a manner reasonably believed to be in the best interests of the membership, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.
23. Administer the affairs of the credit union fairly and impartially and without discrimination in favor of or against any particular member.
24. Have at least a working familiarity with basic finance and accounting practices, including the ability to read and understand the credit union's balance sheet and income statement and the ability to ask, as appropriate, substantive questions of management and auditors.
25. Direct the operations of the federal credit union in conformity with the Federal Credit Union Act, NCUA's Rules and Regulations, other applicable laws, and sound business practices.

While the board may delegate execution of operational functions to management, the ultimate responsibility for the credit union's direction and control cannot be delegated. The board, however, must directly exercise its authority to hire, fire, determine duties, set compensation, and discipline the Manager/CEO. The board must also ensure that appropriate policies are in place to guide senior management in the execution of their duties. Directors may rely on information prepared or presented by employees or consultants they reasonably believe to be reliable and competent and who merit confidence in the particular functions performed.

### **What are the Manager's responsibilities?**

The Manager/CEO manages under the control and direction of the board. Each credit union board delegates different functions to their Manager/CEO. Subject to limitations, controls and delegations the board may impose, the Manager/CEO typically will:

1. Have custody of all funds, securities, valuable papers and other assets of the credit union.

2. Provide and maintain full and complete records of all the assets and liabilities of the credit union in accordance with forms and procedures prescribed in regulations.
3. Within 20 days after the close of each month, ensure that a financial statement showing the condition of the credit union as of the end of the month, including a summary of delinquent loans is prepared and submitted to the board and post a copy of the statement in a conspicuous place in the credit union office.
4. Ensure that financial and other reports required by NCUA are prepared and sent.
5. Hire and terminate other credit union employees. However, neither the Manager/CEO nor directors have the power or duty to employ, prescribe the duties of, or remove necessary clerical and auditing assistance employed or used by the supervisory committee and, if there is a credit committee, the power or duty to employ, prescribe the duties of, or remove any loan officer appointed by the credit committee.
6. Implement the board's policies.
7. Provide periodic reports and analysis to the board concerning policy compliance.
8. Review the board's policies periodically and, when appropriate, suggest changes.
9. Manage the operations and staff to achieve the goals and objectives set forth by the board.
10. Establish operational procedures.
11. Supervise investment portfolio management activities.
12. Maintain awareness of the economic and interest rate environment, particularly local economic conditions.
13. Review asset quality.
14. Develop, review, and monitor capital, business, and strategic plans, and ensure integration of these plans into the budgeting function. Also, generate variance, rate, and volume analysis reports;
15. Provide adequate support, planning, and oversight when the credit union starts new products and services.
16. Ensure that the credit union's services, products, and pricing support its strategic plan.
17. Perform due diligence, including cost-benefit studies of credit union's services, business ventures, and products and comparing the credit union's pricing to that of its competitors.

### **How should the Board and Manager work together?**

The board's most important responsibility is selecting a capable, competent, and trustworthy Manager/CEO for the credit union. Officials should define the CEO's duties and responsibilities in writing and then give the CEO the latitude needed to run day-to-day operations. The board must provide a clear policy framework within which the CEO can operate and administer the credit union's affairs. This includes setting forth the credit union's business strategy. The board must approve all major policies.

Management contracts should not contain provisions that may cause hardship to the credit union (e.g., salary increases tied to asset growth, salary not commensurate with asset size, unreasonably long contracts, golden parachutes, and unreasonable termination provisions.) The board must implement and adhere to performance standards for the Manager/CEO and should provide written evaluations of performance at least annually.

**What are the distinctions in the roles of the Board and Manager?**

The relationship is that of employer (board) and employee (Manager/CEO). The Manager/CEO's duties and responsibilities are limited to those assigned/delegated by the board, but the board of directors has the ultimate responsibility for the success of the credit union.

Additional Resources:

[Letter 11-FCU-02](#)

[Federal Credit Union Handbook](#)

[Federal Credit Union Bylaws](#)